

## Authorisation of the foundation and operation of financial enterprises

Pursuant to the provisions in subpoint aa) of point a) and point b) of Section 9 (1) of Act CCXXII of 2015 on the general rules of trust services and electronic transactions, Sections 17 (1) and 19 (1) of Government Decree 451/2016. (XII. 19.) on the detailed rules of electronic services, and Section 3 (1) of MNB Decree 36/2017. (XII. 27.) on the rules of electronic communication in official matters in progress before the Magyar Nemzeti Bank (hereinafter, the “**MNB**”) (“**Decree**”), on grounds of Section 58 (2) of Act CXXXIX of 2013 on the Magyar Nemzeti Bank (“**MNB Act**”), the **legal representative of an economic operator or applicant (client)** obliged to apply electronic communication shall submit their application, notification or other petition by using the prescribed form available in the information system ensuring the electronic transactions of the MNB (“**ERA System**”) and introduced for the procedure related to the petition in question, in the manner and with content specified therein, simultaneously uploading the attachments specified by the law and other documents required by the MNB.

For **natural persons**, electronic transactions are an optional procedural form, however, Section 58 (2) of the MNB Act provides that natural persons who are not obliged to apply electronic communication may submit their application, notification or other petition by using the prescribed electronic form introduced for the purpose of the application, notification or other petition concerned that is available in the ERA System or the ÁNYK form introduced for the purpose of the application, notification or other petition concerned available on the dedicated storage space in the Central Client Registration Database, simultaneously uploading any other documents required by the MNB. The ÁNYK forms are also available on the website of the MNB at the following path: <http://www.mnb.hu/felugyelet/engedelyezes-es-intezmenyfelugyeles/engedelyezes/e-ugyintezes-az-engedelyezesi-eljarasokban/2018-januartol-hatalyos-szabalyok/a-termeszetes-szemelyek-elektronikus-ugyintezese-anyk>

*Natural persons continue to be entitled to submit applications in hard copy by using the printed forms available on the website of the MNB, attaching the appendices specified by law. The printed forms are available at [https://alk.mnb.hu/bal\\_menu/formanyomtatvanyok?mid=570](https://alk.mnb.hu/bal_menu/formanyomtatvanyok?mid=570)*

In the licensing procedures, the applications and notifications must be submitted by using the prescribed electronic form available in the *E-administration / Licensing* service on the ERA interface on the MNB’s website, attaching the certified electronic copies of the appendices. The resolutions, requests for clarification, notices and other communications of the MNB are delivered to the applicant or their legal representatives by sending them to the delivery storage space.

The electronic forms necessary for initiating the procedure for authorising the foundation and operation financial enterprises is available among the forms introduced for financial enterprises in the section concerning institutions under Act CCXXXVII of 2013 on credit Institutions and financial enterprises (hereinafter, the “**Banking Act**”), in the *E-administration - Authorisation* service.

The “Good business reputation survey”, which is a mandatory appendix that must be submitted together with the application, is available as fillable PDF on the MNB’s website under the Printed forms of licensing, authorization and registration procedures and notifications title. The filled and electronically signed questionnaire can be attached to the prescribed electronic form as an appendix. The questionnaire is available at [https://alk.mnb.hu/bal\\_menu/formanyomtatvanyok?mid=871](https://alk.mnb.hu/bal_menu/formanyomtatvanyok?mid=871)

The website of the MNB includes information materials on electronic transactions and the submission of appendices to be attached in licensing procedures (electronic documents): <http://www.mnb.hu/felugyelet/engedelyezes-es-intezmenyfelugyeles/engedelyezes/e-ugyintezes-az-engedelyezesi-eljarasokban/2018-januartol-hatalyos-szabalyok>

Further information related to certain aspects of licensing procedures (e.g. establishing good business reputation) is available under the following menu item: <https://www.mnb.hu/felugyelet/engedelyezes-es-intezmenyfelugyeles/engedelyezes/gyakran-ismetelt-kerdesek>

The MNB's authorisation is required for the *foundation* of financial enterprises under Section 15 (1) of the **Banking Act**, for the *foundation of a financial enterprise incorporated as a branch under Section 15 (2) thereof (subject to the exceptions in Subsection (4))*, and Subsection (3) of the same Section provides that *authorisation granted for the foundation of a financial enterprise also constitutes permission for establishing its scope of activities and for the taking up of business operations*.

Section 3:97 (1) of Act V of 2013 on the Civil Code ("**Civil Code**") sets forth that where authorisation by the competent authority is prescribed mandatory by law to engage in a certain economic activity (authorisation necessary for the pursuit of the scope of activities), the business association may take or carry out such activity in possession of such authorisation.

In addition, Section 3:100 (2) of the Civil Code provides that if the *establishment* of a business association *is subject to approval by the authorities, notification to the court of registry shall be made within fifteen days upon receipt of the final authorisation*. A business association is considered established when admitted into the register of companies, effective as on the day of admission.

The provisions of Section 3:100 of the Civil Code, cited above, clearly define the order of the authority and court of registration procedures relative to each other. Having regard to the provisions of the Banking Act and the Civil Code quoted above, the resolution of the authority adopted in the procedure for authorising the establishment and operation of a financial enterprise is an essential appendix to the file to be submitted to the court of registration, and the registration of the financial enterprise may be initiated at the competent Court of Registration within 15 days of the receipt of the MNB's final authorisation of establishment and operation. According to the legal provisions cited above, **the MNB cannot grant authorisation for establishment and operation to a company that has already been entered into the register of companies before the licensing procedure of the authority is initiated or has already submitted its application to that effect to the competent court of registration.**

In such cases, the applicant must ensure that the company that has been unlawfully entered into the register of companies is cancelled by the court of registration or, if the assessment of the application for registration is in progress, withdraws its application. Otherwise, the MNB decides on the basis of the information at hand and rejects the claim, exercising its right under paragraph b) of Section 47 (1) of Act CL of 2016 on general public administration procedures ("**GPA**").

## **I. DOCUMENTS TO BE SUBMITTED IN PROCEEDINGS FOR THE AUTHORISATION OF THE ESTABLISHMENT AND OPERATION ON FINANCIAL ENTERPRISES**

1. **Application** of the company for the authorisation of establishment and operation as a financial enterprise (electronic form), indicating the financial and financial auxiliary services falling within the scope of the Banking Act, the authorisation of which the company applies for. It should be noted that, based on the "profile purity requirements" in Section 7 (3) of the Banking Act, financial enterprises may only be engaged in the activities itemised therein as a business in addition to the financial services. (*Section 18 (1) of the Banking Act*) However, we call your attention to that financial enterprises are not entitled to pursue the activities defined in paragraphs a) and d) and paragraph a) of Section 3 (2) of the Banking Act.
2. **Charter document** (articles of association) of the financial institution to be established (*paragraph a) of Section 18 (1) of the Banking Act*).
3. Please note that:
  - based on Section 11 (1) of the Banking Act, financial enterprises may only operate in the form of a company limited by shares, cooperative, foundations or branch,
  - If company decided in its charter document (articles of association) to produce its shares in dematerialized form, such shares may be subsequently produced in printed form, with the exception of the shares of private limited companies (*Section 6 (5) of Act CXX of 2001 on the capital market ("**CMA**")*).
4. The document which defines the proposed area of operation (nationwide or limited to a specific region) (paragraph b) of Section 18 (1) of the Banking Act).
5. Original certificate in proof of that the founders have actually paid up the total amount of the initial capital (the minimum amount of which is *fifty million Forints* under Section 12 (4) of the Banking Act, except for financial

holding companies and financial enterprises operating payment systems) and it is available (*paragraph c) of Section 18 (1) of the Banking Act*).

6. Section 13 (1) of the Banking Act provides that the initial capital must be paid up in cash in the case of credit institutions that are not involved in the foundation, in which the founder has no ownership share or which has no ownership share in the founder. Please note that it is not possible to use the initial capital during the procedure for the authorisation of establishment.
7. Drafts of the financial enterprise's organizational and management structure, decision-making and control mechanisms, and its rules of organisation and operation. The ORR must present the company's organizational structure, system of management, decision-making and control procedures, as well as the organizational and operational regulations (*paragraph d) of Section 18 (1) and paragraph m) of Section 20 (2) of the Banking Act*).
8. For the financial enterprises, proof of compliance that the financial enterprise has the **personnel and infrastructure requirements for providing financial services**, as required in *Section 67 and paragraphs d)-f), h), k) and q) of Section 20 (2) of the Banking Act (paragraph f) of Section 18 (1) of the Banking Act*).
9. A statement on having a main office in Hungary from which governance of the financial institution takes place (*paragraph i) of Section 18 (1) of the Banking Act*).
10. A statement of the financial enterprise that it has disclosed to the MNB all important facts, data and information required for the authorisation (*section 59 (2) of the MNB Act*).

#### **6/A. Proof of the existence of personnel requirements**

6/A.1. Resolution on the election or appointment of the chairman of the board, chairman of the supervisory board and managing director of the financial enterprise (*paragraph d) of Section 15 of the Banking Act*). As regards the authorisation of senior executives, please note that detailed rules are available in the Personnel authorisations folder.

6/A.2. Statements of the members of the board of directors and the supervisory board regards the grounds for exclusion under *Sections 137 (4) and (6) of the Banking Act*, and their statements required in *Section 137 (9) of the Banking Act*; extended official certificate of having no prior criminal record (no prior criminal record, not barred from public affairs, not barred from occupation or activity) issued within 90 days to date or the certified copy thereof or a similar document that is deemed equivalent under the applicant's national law (*issued by the authority of the country of which he is a national or, in the absence of such, the place of stay*) (*Sections 137 (1)-(4), (6) and (9) of the Banking Act*), and form in proof of good business reputation (*Section 139 (1) of the Banking Act*). The form is available at the following menu item: [https://alk.mnb.hu/bal\\_menu/formanyomtattvanyok?mid=871](https://alk.mnb.hu/bal_menu/formanyomtattvanyok?mid=871)

6/A.3. Statements of the managing director regarding *Sections 137 (4) and (6) of the Banking Act*, as well as *Section 137 (9) of the Banking Act*; extended official certificate of having no prior criminal record (no prior criminal record, not barred from public affairs, not barred from occupation or activity) issued within 90 days to date or the certified copy thereof or a similar document that is deemed equivalent under the applicant's national law (for foreign persons, an original certificate of having no criminal record issued by the authority of the country of which he is a national or, in the absence of such, the place of stay or the certified copy thereof); proof of university-level qualifications specified in *Clause 155 (4) of the Banking Act* by means of either the original diploma or a notarized copy thereof; professional practice of not less three years at financial institutions, the MNB, the State Financial Supervisory Authority or its predecessor or in public administration, or another economic area, proven by a CV or employer's certificate, form in proof of good business reputation (*Section 139 (1) of the Banking Act*).

6/A.4. A service contract of the auditor listed in the directory of the Hungarian Chamber of Auditors, entered into the directory of auditors certified to audit financial institutions by resolution, and a statement of the auditor that none of the grounds for exclusion under the Banking Act apply to it (*Section 260 of the Banking Act*).

6/A.5. Employment or service contract made with the internal auditor to be employed and other documents in proof of the employment conditions of the internal auditor, as well as the internal audit policy (*Section 154 (5) of the Banking Act, as regards the employment conditions, Sections 154 (11)- (12) of the Banking Act*). Where the internal auditor is employed by more than one financial enterprise, a written agreement in acknowledging shared employment.

6.A.6. A presentation of the staff (number and function of employees to be employed).

**6/B. Proof of the existence of material conditions:**

6/B.1. A description of the personnel, material and technical conditions required for operation, including a presentation of computer and office equipment (*paragraphs c) and d) of Section 67 (1) of the Banking Act*).

6/B.2. Proof of unrestricted possession of the head office and place of business (title deed or lease/sublease contract) (*paragraph d) of Section 67 (1) and Section 67 (2) of the Banking Act*).

6/B.3. Property insurance policy or offer, covering both the head office and any place of business (*paragraph e) of Section 67 (1) of the Banking Act*). Only a property insurance contract is accepted, in which the financial enterprise is the insured.

6/B.4. Proof that accounting records of the institution being established complies with the law and has internal policies complying with prudent operations in accordance with Section 14 of Act C of 2000 on accounting ("**Accounting Act**"), Section 3 of Government Decree 250/2000. (XII. 24.) on the annual reporting and bookkeeping obligations of credit institutions and financial enterprises, MNB Decree 40/2016. (X. 11.) on the prudential requirements of client and partner rating and collateral valuation and MNB Decree 39/2016. (X. 11.) on the prudential requirements relating to exposures in default and restructured receivables ("**Decrees**").

6.4.1. Accounting policy and its mandatory annexes,

6.4.2. Chart of accounts and account system,

6.4.3. Inventory and stocktaking policy of assets and liabilities,

6.4.4. Assets and liabilities evaluation policy,

6.4.5. Internal policy on the order of costing - no exemption from drawing up the policy is permitted under Section 3 (8) of the Government Decree,

6.4.6. Submission of cash management policy.

Based on the relevant provisions of the Decrees, the following policies must be drawn up and submitted:

6.4.7. Client and partner rating policy,

6.4.8. Collateral evaluation policy,

6.4.9. Transaction rating and assessment policy,

6.4.10. Impairment loss and provisioning policy,

6.4.11. Policy on the order of the handling, record-keeping and accounting, as well as the audit of documents and printed forms of strict accountability,

6.4.12. Policy on the accounting and record keeping of futures, option and swap transactions, identification and separate treatment of hedging transactions (*the policy should be prepared before the Company enters into such transactions*).

Please note that, based on Section 3 (3) and Schedule 7 of Government Decree 250/2000, the policy on the valuation of assets and liabilities

6.4.13. Risk management policy (*Section 98 (1) of the Banking Act*).

Please note that the accounting policies must be prepared in accordance with paragraphs a) and b) of Section 67 (1) of the Banking Act, Section 14 of the Accounting Act and Section 3 of Government Decree 250/2000 in a way that they should apply and conform to the activities intended to be pursued in full.

Special attention is drawn to that the MNB will also examine in the authorisation procedure whether the provisions of the above internal policies of the institution being established are consistent with the provisions of its business code and general terms and conditions regarding the activity(ies) to be pursued.

**6/C) Business code and general terms and conditions:**

If the financial enterprise intends to carry out more activities, the documentation should be prepared separately for each activity. The contract templates and model security contract must be enclosed to the Business Code and the General Terms and Conditions (*Section 276 (1) of the Banking Act*).

In preparing the Business Code and the General Terms and Conditions,, special attention should be paid to the rules required by the Banking Act that must be applied, as well as other current legislation (Sections 276-284 of the Banking Act, Civil Code, consumer protection provisions, in particular, conditions on unilateral contract amendment that are adverse to the clients) (*paragraph e) of Section 20 (2) of the Banking Act*). The rules on complaints handling must be developed in accordance with the complaints management policy (*Section 288 of the Banking Act*, Government Decree 435/2016. (XII.16.) on the detailed rules of the complaints management procedure and the complaints management policy of investment businesses, payment institutions, electronic money institutions, issuers of credit tokens, financial

institutions and independent financial services intermediaries (“**Government Decree**”)), and the contact person in consumer protection matters must also be named in the Business Code.

The Company must draw up its Complaints Management Policy based on MNB Decree 28/2014. (VII. 23.) on the complaints management procedure of financial institutions and Recommendation 13/2015. (X. 16.) of the Magyar Nemzeti Bank on the complaints management procedure of financial institutions.

**6/D)** Mid-term business plan for three years, presented in figures the balance sheet, profit and cash flow side, as well as a description of how the activities are planned, including a text evaluation. (*paragraph f) of Section § 18 (1) and paragraph d) of Section 20 (2) of the Banking Act*) In preparing the business plan, the following guide must also be noted:

**“Guide to financial enterprises on the aspects of the evaluation of business plans to be submitted during the authorisation procedures”**

The guide is available on the MNB’s website on the following route:

Supervision/Licensing and institution oversight/Authorisation/Frequently asked questions

<http://www.mnb.hu/letoltes/tmpdf18-tmp-11702677.pdf>

**6/E)** A statement that it is prepared to comply with data disclosure obligations as prescribed by the relevant legislation, as well as the results of live tests of the computer programmes used for such data disclosure (*paragraph f) of Section 18 (1) and paragraph h) of Section 20 (2) of the Banking Act*).

**6/F)** A statement in which to specify the date proposed for the start of operations (the financial enterprise may commence activities only in possession of the MNB’s authorisation for establishment and operation and after registration by the court registration (*paragraph f) of Section 18 (1) and paragraph f) of Section 20 (2) of the Banking Act*).

**6/G)** A statement on joining the central credit information system defined recognized by the MNB (as a minimum, a letter of intent addressed to BISZ Központi Hitelinformációs Zártkörűen Működő Részvénytársaság and confirmed with a proof of receipt) (*paragraph f) of Section 18 (1) and paragraph k) of Section 20 (2) of the Banking Act*).

**6/H)** IT policies: A presentation of the information and control system for the mitigation of operational risks, and a plan for the management of emergencies.

Financial institutions are required to develop a regulatory system in relation to their information system used for the attendance of financial services, financial auxiliary services, and provide for proportionate protection against the risks of the IT system. The regulatory system should cover the requirements on information technology and the assessment and management of security risks arising from use in the fields of planning, purchasing, operation and control (*paragraph f) of Section 67 (a) of the Banking Act*), and Government Decree 42/2015. (III. 12.) on the protection of the IT systems of financial institutions, insurer and reinsurers, as well as investment enterprises and commodity exchange providers.

**6/I)** In case the financial institution concerned will use cloud computing services in the framework of an outsourcing contract already at the start of its operation, it must take into account the contents of MNB Recommendation 2/2017. (I. 12.). on the use of social and public cloud services.

**6/J)** A policy setting out the organisation, competence and tasks of internal audit, the requirements of the internal auditor and the rules of procedure (*Sections 154 (11)-(12) of the Banking Act*).

**6/K)** Internal policy in accordance with the guide issued by the MNB (*Section 65 of Act LIII of 2017 on the prevention and combating of money laundering and terrorist financing*).

If any person among the founders intends to acquire a qualifying holding<sup>1</sup> in the financial institution being established, whether directly or indirectly, the following documents must also be attached to the application in addition to the documents listed above:

---

<sup>1</sup> It means a direct or indirect holding in an undertaking which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking (*paragraph 6 of Section 6 (1) of the Banking Act, paragraph (36) of Article 4 of Regulation 575/2013/EU*)

It means a direct or indirect holding in an undertaking which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that undertaking (*paragraph 6 of Section 6 (1) of the Banking Act, paragraph (36) of Article 4 of Regulation 575/2013/EU*)

- the applicant's identification data specified in Schedule No. 2 (*paragraph a) of Section 18 (2) of the Banking Act*),
- evidence concerning the legitimacy of the financial means necessary for acquiring the qualifying holding and proof of the continuous availability thereof from the origin of the means to the date of acquisition of the qualifying holding (*paragraph b) of Section 18 (2) of the Banking Act*). To demonstrate this, the MNB primarily takes into account the amounts stated in the profit and profit reserve lines of the company's annual audited financial statements. In the practice of the MNB, in order to verify the legitimacy of the origin of the financial means for acquiring holding, it is required to prove the continuous availability to the applicant of the financial means throughout the period from their origin to the acquisition of the holding (*paragraph b) of Section 18 (2) of the Banking Act*),
- Documentary proof issued within thirty days to date in proof of having no outstanding debts owed to the tax authority, customs authority, social security bodies of competence under the applicant's national law (note that it is also required to submit an original certificate that the applicant has no outstanding local tax debts) (*paragraph c) of Section 18 (2) of the Banking Act*),
- Proof that other holdings and activities of the applicant are not harmful to the operation of the financial institution (*paragraph d) of Section 18 (2) of the Banking Act*),
- The applicant's instrument of constitution in effect on the date of application (*paragraph f) of 18 (2) of the Banking Act*),
- A certificate issued within thirty days to date in proof that the applicant was established (registered) in compliance with the relevant national regulations (*paragraph f) of 18 (2) of the Banking Act*).
- Proof that the applicant is not adjudicated in bankruptcy, liquidation or dissolution proceedings (*paragraph f) of 18 (2) of the Banking Act*).
- Proof that its senior executives are not subject to any disqualifying factors under Sections 137 (4), (6) or (9) of the Banking Act (*paragraph f) of 18 (2) of the Banking Act*),
- If other than a natural person applicant, a detailed description of the applicant's ownership structure supported by documentary evidence and, if possible, information about beneficial owners, furthermore, if the applicant is subject to supervision on a consolidated basis, a detailed description of these circumstances, furthermore the consolidated annual accounts for the previous year of the credit institution or investment firm subject to supervision on a consolidated basis, if they are required to prepare a consolidated annual account (*paragraph g) of Section 18 (2) of the Banking Act*),
- A statement declaring any and all contingent liabilities and commitments, by definition of the Accounting Act (*paragraph h) of Section 18 (2) of the Banking Act*),
- A statement executed in a private document representing conclusive evidence from the applicant in which to grant consent to having the authenticity of the documents attached to the application for authorization checked by the MNB by way of addressed bodies (*paragraph i) Section 18 (2) of the Banking Act*),
- Form in proof of the good business reputation of the person acquiring a qualifying holding and the senior executives (*Section 139 (1) of the Banking Act*).

If there is a foreign financial institution, insurance company or investment firm among the founders who proposes to acquire a qualifying holding, in addition to the requirements set out in Sections 18 (1)-(2) of the Banking Act, a statement or certificate from the competent supervisory authority of the country of establishment stating that the enterprise conducts its activities in compliance with prudential regulations shall also be attached to the application for authorization (*Section 18 (4) of the Banking Act*).

In case of fulfilment of the conditions described in the previous paragraph, a statement on having a main office in Hungary from which governance of the financial institution takes place (*paragraph i) Section 18 (2) of the Banking Act*).

For natural persons intending to acquire a holding in the financial institution to be established:

- The applicant's data specified in Schedule No. 2 of the Banking Act (*paragraph a) of Section 18 (2) of the Banking Act*)
- Proof of the legitimacy of the origin of the financial means for acquiring holding, (including, in particular, personal income tax certificates issued for the previous years, sale and purchase contracts, documents in proof of inheritance, documents in proof of dividends received, etc.), as well as proof of the continuous

availability of the financial means throughout the period from their origin to the acquisition of the holding (*paragraph b) of Section 18 (2) of the Banking Act*)

- Documentary proof issued within thirty days to date in proof of having no outstanding debts owed to the tax authority, customs authority, social security administration of competence under the applicant's national law (note that it is also required to submit a certificate that the applicant has no outstanding local tax debts) (*paragraph c) of Section 18 (2) of the Banking Act*),
- Proof that other holdings and activities of the applicant are not harmful to the operation of the financial institution (*paragraph d) of Section 18 (2) of the Banking Act*),
- Extended official certificate of having no prior criminal record (no prior criminal record, not barred from public affairs, not barred from occupation or activity) issued within 90 days to date or the certified copy thereof or a similar document that is deemed equivalent under the applicant's national law (for foreign persons, an original certificate of having no criminal record issued by the authority of the country of which he is a national or, in the absence of such, the place of stay or the certified copy thereof) (*paragraph e) of Section 18 (2) of the Banking Act*)
- A statement executed in a private document representing conclusive evidence from the applicant in which to grant consent to having the authenticity of the documents attached to the application for authorization checked by the MNB by way of addressed bodies (*paragraph i) Section 18 (2) of the Banking Act*).

In the case of legal representation: power of attorney (*Section 14 (1) of the GPA*). If the applicant is established abroad, a statement concerning the applicant's agent for service of process; such an agent must be an attorney or a law firm registered in Hungary. (*paragraph e) of Section 18 (1) of the Banking Act*). The MNB continuously examines the existence of the right of representation during the process.

## **II. ESTABLISHMENT OF A FINANCIAL ENTERPRISE INCORPORATED AS A BRANCH**

Under Section 19 (1) of the Banking Act, the following must be enclosed with the application for authorisation of the establishment of a financial institution incorporated as a branch **in addition to** the documents prescribed in Section 18 (1):

- The foreign financial institution's charter document (*paragraph a) of Section 19 (1) of the Banking Act*)
- The foreign financial institution's certificate of incorporation or a certificate issued within three months in proof of the foreign financial institution being registered in the companies (trade) register (*paragraph b) Section 19 (1) of the Banking Act*)
- A copy of the authorisation issued by the competent supervisory authority of the state where the foreign financial institution is established (*paragraph c) Section 19 (1) of the Banking Act*)
- A certificate issued within thirty days proving that the foreign financial institution participating in the foundation has no outstanding debts owed to the tax or customs authorities or social security administration of competence in Hungary or in the state where the said foreign financial institution is established (*paragraph d) Section 19 (1) of the Banking Act*)
- A certificate from the competent supervisory authority of the state where established stating that the financial institution's head office from which its operations are directed is in that state (*paragraph e) Section 19 (1) of the Banking Act*)
- The audited and approved balance sheet and the profit and loss account of the founder for the previous three fiscal years (*paragraph f) Section 19 (1) of the Banking Act*)
- A statement concerning the off-balance sheet liabilities of the foreign financial institution (*paragraph g) Section 19 (1) of the Banking Act*)
- A detailed description of the founder's ownership structure and of the circumstances under which the founder is considered to belong to the group of persons being affiliated with, furthermore the leading company's consolidated annual accounts for the previous year if the leading company is required to prepare consolidated annual accounts (*paragraph h) Section 19 (1) of the Banking Act*)
- A statement executed in a private document representing conclusive evidence from the persons indicated in the application in which to grant consent to having the authenticity of the documents attached to the application for authorization checked by the MNB by way of addressed bodies (*paragraph i) Section 19 (1) of the Banking Act*)
- An indication of the activities under Section 3 of the Banking Act performed by the applicant as authorized by the competent supervisory authority of the place where established, and the locations where such activities are performed (*paragraph j) Section 19 (1) of the Banking Act*)

- A description of the scope of authority of the senior executive of the branch, and a description of the applicant's bodies the approval of which is expressly required for passing certain decisions (*paragraph k) Section 19 (1) of the Banking Act*)
- A statement of the competent supervisory authority of the place where established in proof of having no grounds for exclusion regarding the senior executive of citizenship other than Hungarian, filling and occupying such office (*paragraph k) Section 19 (1) of the Banking Act*).

In accordance with Section 19 (3) of the Banking Act, the MNB grants authorisation of establishment for a financial institution incorporated as a branch if the conditions described in Section 19 (1) and in Section 18 (1) are satisfied, and if:

- There is a valid and effective international cooperation agreement, based on mutual recognition of the supervisory authorities, which also covers the supervision of branches, between the MNB and the supervisory authority of the place where the applying financial institution is established (*paragraph a) of Section 19 (3) of the Banking Act*)
- The state where the applicant financial institution is established has regulations on money laundering and terrorist financing that conform to the requirements set out in Hungarian law (*paragraph b) of Section 19 (3) of the Banking Act*)
- The applicant financial institution has data processing regulations that satisfy the requirements of Hungarian law (*paragraph c) of Section 19 (3) of the Banking Act*)
- The applicant financial institution provides a statement declaring that it shall accept responsibility without limitation for the liabilities incurred by its branch under its corporate name (*paragraph d) of Section 19 (3) of the Banking Act*)
- The applicant financial institution has submitted the authorisation for the foundation of a branch issued by the competent supervisory authority of the place where established or its declaration of acknowledgement (*paragraph e) of Section 19 (3) of the Banking Act*)
- The laws of the state where the applicant financial institution is established guarantee the prudent and safe operation of financial institutions (*paragraph e) of Section 19 (3) of the Banking Act*)

In addition, applicants must also pay attention to the following information published on the MNB's website:

*"Information on certain issues most frequently arising in certain licensing and registration procedures affecting the practice of the MNB".*

*"Establishing good business reputation in procedures for the authorisation of the election/appointment of senior executives (paragraph 51 of Section 6 (1) and Section 139 of Act CCXXXVII of 2013 on credit institutions and financial enterprises)"*

### **III. REASONS FOR REFUSING TO GRANT AUTHORISATION FOR ESTABLISHMENT AND OPERATION:**

- The information provided by the applicant is false or misleading (*paragraph a) of Section 30 (1) of the Banking Act*),
- The financial institution proposed to be established by the applicant fails to meet the statutory provisions concerning initial capital, corporate form, company form, ownership and management body (*paragraph b) of Section 30 (1) of the Banking Act*),
- The applicant is a non-resident and does not have an agent for service of process (*paragraph c) of Section 30 (1) of the Banking Act*),
- The person who has close links with the credit institution is established in a third country where there are legal impediments liable to prevent the effective exercise of supervision on a consolidated basis (*paragraph d) of Section 30 (1) of the Banking Act*),
- There are reasonable grounds to suspect that, in connection with the activity of the applicant, money laundering or terrorist financing within the meaning of the relevant legislation is being or has been committed or attempted, or that the proposed activity could increase the risk thereof (*paragraph e) of Section 30 (1) of the Banking Act*),
- The applicant fails to meet the prescribed personnel and infrastructure requirements (*paragraph b) of Section 30 (3) of the Banking Act*),



- The applicant is deemed unable to comply with the statutory provision regarding prudent operation by virtue of its business plan, other documents enclosed with the application for authorization, or to any document, data or information furnished to the MNB (*paragraph b) of Section 30 (3) of the Banking Act*).

The MNB refuses the application for the establishment of a branch also if any of the conditions listed in Sections 18 (1) or 19 of the Banking Act is not satisfied.